GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3648
ANSWERED ON:27.04.2007
STOCK MARKET CRASH
Barad Shri Jashubhai Dhanabhai;Prabhu Shri Suresh Prabhakar

Will the Minister of FINANCE be pleased to state:

(a) whether a major crash took place in the stock market recently;

(b) if so, the reasons therefor; and

(c) the steps taken by the Government/ Security and Exchange Board of India/ Reserve Bank of India in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): No, Sir. The monthly average of Sensex has been 13984, 14143 and 12851 during January, February and March, 2007 respectively. The movement of market indices or price of a specific share is a function of perceptions of the investors − domestic and overseas, retail and institutional − about the economy, the sector and the company. This perception is influenced by many factors including macro-economic environment, growth potential of the economy, corporate performance, domestic and international events, and market sentiments. The Government, Securities and Exchange Board of India and Exchanges have put in systems and practices to promote a safe, transparent and efficient market and to protect market integrity. The systems include advanced risk management mechanism comprising on-line monitoring and surveillance, various limits on positions, margin requirements, circuit filters, etc. which reduce possibility of crash in market.